

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 /055 W

----- 025780

R 081105Z SEP 76

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 7961

INFO AMCONSUL ZAGREB

AMEMBASSY BONN

LIMITED OFFICIAL USE BELGRADE 5864

E.O. 11652: N/A

TAGS: ECON, YO

SUBJECT: YUGOSLAV TOURISM

REF: ZAGREB 701

SUMMARY: THE 1976 YUGOSLAV TOURIST SEASON HAS BEEN A DISAPPOINTMENT, PRIMARILY DUE TO OVERPRICING IN RELATION TO THE COMPETITION. SURPRISINGLY CANDID PRESS CRITICISM OF THE TOURIST INDUSTRY, HOWEVER, HAS CONCENTRATED ON THE DEEPER PROBLEMS FACING THE INDUSTRY, INCLUDING THE NEED FOR MORE VARIETY IN ACCOMMODATIONS AND SERVICES, MORE ADVERTISING, AND CONCENTRATION ON THE INDIVIDUAL TRAVELER AS OPPOSED TO GROUPS.

1. THIS TOURIST SEASON WAS A DOUBLE DISAPPOINTMENT FOR THE YUGOSLAVS. NOT ONLY ARE FEWER FOREIGN TOURISTS COMING TO YUGOSLAVIA, BUT LARGER NUMBERS OF YUGOSLAVS ARE SPENDING THEIR VACATIONS (AND HARD CURRENCY) IN FOREIGN COUNTRIES. THE GREEK COMMERCIAL COUNSELOR, FOR EXAMPLE, REPORTS THAT YUGOSLAV VISAS TO GREECE FOR THE FIRST SEVEN MONTHS OF 1976 WERE MORE THAN THIRTY PERCENT HIGHER THAN THE SAME PERIOD LAST YEAR. PRESS ESTIMATES SUGGEST THAT AS MANY AS A

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MILLION YUGOSLAVS MAY SPEND THEIR VACATIONS IN GREECE

THIS YEAR.

2. WITHOUT THE ESTIMATED \$770 MILLION INCOME FROM FOREIGN TOURISTS, THE BALANCE OF PAYMENTS DEFICIT LAST YEAR WOULD HAVE ALMOST DOUBLED. THE CURRENT FIVE YEAR PLAN ENVISAGES AN ANNUAL INCREASE OF SEVEN PERCENT IN FOREIGN TOURIST NIGHTS AND ACCORDS THE TOURIST INDUSTRY PRIORITY STATUS. GIVEN THIS BACKGROUND, IT IS NOT SURPRISING THAT THE PROGRESS OF THE TOURIST SEASON IS CLOSELY FOLLOWED IN THE PRESS. WHAT MARKS THIS YEAR'S COVERAGE, HOWEVER, AND DIFFERENTIATES IT FROM COVERAGE IN 1974 (THE LAST YEAR FOREIGN TOURISM DECREASED) IS THE DIRECT CRITICISM OF THE TOURIST INDUSTRY AND THE CANDID DESCRIPTION OF THE PROBLEMS OF YUGOSLAV TOURISM. THESE PROBLEMS, ACCORDING TO THE PRESS, INCLUDE LACK OF ADVERTISING,

LACK OF FACILITIES OTHER THAN HOTELS AND BEACHES TO INTEREST TRAVELERS, LACK OF COURTESY TO DOMESTIC TOURISTS, POOR HIGHWAYS, RELIANCE ON TRAVEL AGENCIES AND GROUP SALES AS OPPOSED TO INDIVIDUAL TRAVELERS, AND THE EXPENSIVE CHARGES THAT ARE ADDED TO THE BASIC HOTEL COSTS. THE FACT THAT PRICES IN YUGOSLAVIA ARE OUT OF LINE, DUE TO PRIMARILY TO DEVALUATIONS IN COMPETITOR COUNTRIES WAS ALSO PROMINENTLY MENTIONED.

3. REGARDING ADVERTISING, IT HAS BEEN POINTED OUT THAT THE YUGOSLAV BUDGET FOR TOURIST ADVERTISING IS .5 PERCENT OF LAST YEAR'S INCOME FROM TOURISM, WHERE BUDGETS IN COMPARABLE COUNTRIES ARE 2 TO 4 PERCENT OF INCOME. THE PRIMARY REASON FOR THIS DISCREPANCY IS THE DIFFERENT FOCUS. WHILE ONLY 30 PERCENT OF TOURISM IN WESTERN EUROPE IS ARRANGED THROUGH TRAVEL AGENCIES (ACCORDING TO THE JULY 24, 1976 EDITION OF DELO). 80 PERCENT OF ALL YUGOSLAV TOURISM IS THROUGH AGENCIES. ADVERTISING PRIMARILY TO TRAVEL AGENTS IS EASIER AND LESS EXPENSIVE THAN TO INDIVIDUAL CONSUMERS.

4. DIPLOMATS FROM WEST GERMANY SOURCE OF 40 PERCENT OF FOREIGN TOURISTS AND ONE OF THE COUNTRIES CONTRIBUTING MOST TO THE DISAPPOINTING SEASON, CONFIRM EMBASSY BELIEF THAT PRICE LIMITED OFFICIAL USE

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WAS THE OVERWHELMING FACTOR IN THIS YEAR'S RESULTS. THE DEVALUATIONS IN ITALY AND GREAT BRITAIN AND THE LOWER COSTS

OF GREECE SIMPLY PULLED TOURISTS AWAY FROM YUGOSLAVIA. PRIOR TO THE DEVALUATIONS, BOOKINGS FOR YUGOSLAVIA APPEARED GOOD. IN JANUARY, FOR EXAMPLE, BOOKINGS FROM GREAT BRITAIN INDICATED A 45 PERCENT INCREASE IN TOURIST VISITS TO YUGOSLAVIA OVER LAST YEAR. SEVEN MONTH ACTUAL RESULTS, HOWEVER, SHOWED A

3 PERCENT DROP.

5. COMMENT. WHILE HARD CURRENCY EARNINGS HAVE PROVED TOO ATTRACTIVE TO PASS UP, YUGOSLAVIA UNDER TITO HAS ALWAYS BEEN UNEASY ABOUT TOURISM FROM A POLITICAL/PHILOSOPHICAL STANDPOINT. NOT ONLY DID IT MEAN OPENING BORDERS TO HUNDREDS OF THOUSANDS OF FOREIGNERS EACH YEAR, BUT THOSE FOREIGNERS WOULD BE LIVING IN MANY CASES AS A PRIVILEGED CLASS, ABOVE THE INCOME LEVEL OF THE YUGOSLAVS. LARGE INVESTMENTS HAD TO BE MADE IN A SERVICE INDUSTRY WHICH DID NOT PRODUCE ANY TANGIBLE PRODUCT. DESPITE THIS AMBIVALENCE, YUGOSLAVIA HAS MADE MANY CONCESSIONS TO THE FOREIGN TOURIST. TOURIST RESORTS HAVE TOP PRIORITY IN OBTAINING THE HIGHEST QUALITY DOMESTIC FOOD-STUFFS.

REGARDLESS OF RESULTING SHORTAGES, IMPORT PERMITS FOR SUCH LUXURY ITEMS AS CHAMPAGNE AND CAVIAR ARE GRANTED ALMOST EXCLUSIVELY TO TOURIST ENTERPRISES. BORDER RESTRICTIONS FOR THE AVERAGE WESTERN TOURISTS ARE MINIMAL. THE IMPLICATIONS OF THIS YEAR'S DISAPPOINTING TOURIST SEASON ARE THAT TO COMPETE WITH ITALY, GREECE AND SPAIN AND TO MAINTAIN TOURISM AS A GROWTH INDUSTRY, YUGOSLAVIA MUST INVOLVE ITSELF EVEN MORE IN WESTERN MARKETING TECHNIQUES AND WESTERN TRADITION OF TOURISTS. THE TRADITIONAL RELIANCE ON FOREIGN TOURIST AGENCIES TO DO THE PROMOTION MUST BE SUPPLEMENTED BY INCREASED EFFORTS ON THE PART OF THE YUGOSLAVS THEMSELVES. TOURIST RESORTS MUST BEGIN TO CATER TO THE INDIVIDUAL, AS WELL AS TO GROUP. THIS MEANS THAT THEY MUST PLAY AN EVEN MORE ACTIVE AND INVOLVED ROLE IN A POLITICALLY UNCOMFORTABLE PURSUIT.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DATA, ECONOMIC REPORTS, TOURISM PROMOTION
Control Number: n/a
Copy: SINGLE
Draft Date: 08 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BELGRA05864
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760339-0828
From: BELGRADE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760983/aaaactgl.tel
Line Count: 145
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 ZAGREB 701
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 27 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 APR 2004 by BoyleJA>; APPROVED <20 AUG 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: YUGOSLAV TOURISM
TAGS: ECON, YO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006